

# Office of Attorney General Terry Goddard



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## **Terry Goddard Applauds Verdicts in Baptist Foundation Trial**

(Phoenix, Ariz. - July 24, 2006) The guilty verdicts today against two former top executives of the Baptist Foundation of Arizona are "a hard-earned victory for justice and for thousands of victims of fraud," Attorney General Terry Goddard said.

A Maricopa County Superior Court jury found former BFA President William Crotts guilty of three counts of fraud and one count of illegally conducting an enterprise, and former BFA general counsel Thomas Grabinski guilty of three counts of fraud and one count of illegally conducting an enterprise.

The verdicts came at the end of a 10-month trial, the longest criminal trial ever prosecuted by the Arizona Attorney General's Office. The failure of the Baptist Foundation of Arizona was the largest non-profit bankruptcy in the nation's history as of 1999.

"These verdicts are a victory for thousands of victims who believed the promises made by the defendants. They had their faith shattered and faced the possible loss of all their retirement investments," Goddard said. "This case makes it clear that no matter how rich or powerful or well-connected you are, if you defraud investors you are going to be prosecuted and convicted."

The case involved one of the most complex financial schemes ever brought to trial in Arizona. The defendants issued financial statements that led thousands of people to believe they were investing their savings safely and securely. BFA owed some 11,000 investors more than \$550 million when the Foundation went into bankruptcy in 1999. Investors have been able to recover about \$250 million in subsequent civil litigation.

"I congratulate Don Conrad, our Criminal Division chief and lead prosecutor in the trial, and his team. He did an outstanding job with a very difficult case," Goddard said.

"Prosecuting complex financial fraud is one of the things my office does best. We are not going to back down even when the defendants have millions of dollars at their disposal for their defense."

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Goddard noted that the prosecution of this case was made more difficult by the fact that the two defendants did not personally profit from huge investor losses.

"In most major fraud cases, such as the recent Enron trial, the defendants substantially enriched themselves. The Enron prosecutors were able to show that Kenneth Lay and Jeffrey Skilling pocketed millions of dollars at the expense of others. In the Baptist Foundation trial, however, that didn't happen, which made it harder to obtain the guilty verdicts," Goddard said.

Goddard also commended the jury for its time and attention throughout the lengthy trial.

"This jury was called on to perform an extraordinary task. The fact that not one juror departed during the entire 10 months speaks clearly about their sense of duty as citizens and their commitment to justice," Goddard said.

Criminal fraud charges were filed in April 2001 against Crotts and Grabinski. Since then, five other defendants have pleaded guilty to fraud and/or other crimes for their involvement in the BFA failure and have agreed to pay significant fines.

Judge Kenneth Fields set the sentencing hearing for Sept. 29. Crotts and Grabinski face a maximum sentence of 46.25 years each in prison.

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